

## Message Text

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15

ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-06 NEA-10 ISO-00 IO-10 ABF-01 L-03

H-02 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-01 PRS-01

/114 R

DRAFTED BY TREAS:JBUSHNELL:WW

APPROVED BY E:CROBINSON

EB:TOENDERS

EA:PHABIB

TREAS:CCOOPER

S/S:REWOODS

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----- 123485

R 080039Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 187493

E.O. 11652: GDS

TAGS: EFIN, ADB

SUBJECT:U.S./ADB CONGRESSIONAL CONSULTATIONS

REF: A) MANILA 10239; B) JAKARTA 9173

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PASS USADB

FOLLOWING MESSAGE FROM ASSISTANT SECRETARIES ENDERS AND  
COOPER TO AMBASSADOR SULLIVAN.

1. WE AGREE THAT DEMONSTRATED CONTINUED U.S. SUPPORT FOR ADB IS IMPORTANT; THEREFORE, ADB HAS NOT LACKED STATE OR TREASURY ATTENTION. HOWEVER, WE FACE SERIOUS CONGRESSIONAL AND SUBSTANTIVE PROBLEMS AND TIMING IS LESS URGENT THAN YOU DESCRIBED.

2. MAIN PROBLEM IS STATUS OF INDOCHINA STATES AS POTENTIAL RECIPIENTS OF ADF LOANS. U.S. CONGRESSIONAL SENTIMENT ON ADB HAS SHIFTED WITH EVENTS IN INDOCHINA. RELATIONSHIP OF ADB TO INDOCHINA COUNTRIES IS UNCLEAR. WE ARE LIKELY TO FACE DIFFICULTIES IN GAINING SUPPORT FOR ADB SOFT FUNDS TO BE LOANED IN PART TO INDOCHINA COUNTRIES. YET WE CANNOT NOT SAY THAT NO ADF FUNDS WILL BE USED IN INDOCHINA. THIS RAISES VERY UNSATISFACTORY CHOICE OF DELAYING U.S. REQUEST TO CONGRESS OR FACING POSSIBILITY OF PROHIBITION ON USE OF U.S. CONTRIBUTION FOR INDOCHINA, WHICH WOULD VIOLATE BANK'S CHARTER AND DIVIDE MEMBERSHIP OF THE BANK.

3. IN FACE THESE UNCERTAINTIES WE HAVE NOT WISHED PRO-

CEED IMMEDIATELY TO CONSULTATION WITH CONGRESS ON AMOUNT FOR ADB SOFT FUND REPLENISHMENT. PRELIMINARY SOUNDING ON HILL INDICATE CONSULTATION MIGHT WELL RESULT IN CONGRESSIONAL GUIDANCE NOT TO PARTICIPATE IN ADB REPLENISHMENT.

4. PASSMAN DURING ADB APPROPRIATIONS HEARINGS PUT US ON NOTICE THAT HE WILL WANT TO INCLUDE IN IFI APPROPRIATION LEGISLATION LANGUAGE PRECLUDING U.S. CONTRIBUTIONS TO ADB GOING TO INDOCHINA. SINCE THEN CONTINUING RESOLUTIONS PASSED BY BOTH HOUSES OF CONGRESS PROVIDE IN PART:

QTE . . . NOR SHALL ANY FUNDS HEREIN MADE AVAILABLE BE CHANNELED THROUGH OR ADMINISTERED BY INTERNATIONAL ORGANIZATIONS, UNITED NATIONS ORGANIZATIONS, VOLUNTARY AGENCIES, OR ANY OTHER COMPARABLE ORGANIZATIONS OR  
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AGENCIES IN ORDER TO FINANCE ANY ASSISTANCE TO NORTH VIETNAM, SOUTH VIETNAM, CAMBODIA OR LAOS. UNQTE

5. OUR FIGURES INDICATE THAT TIMING PROBLEM MAY ALLOW SOME SLIPPAGE IN THE REPLENISHMENT. WE SHOW AVAILABLE COMMITMENT AUTHORITY FOR ORDINARY CAPITAL OF SOME \$1.7 BILLION WHICH, EVEN UNDER PLANNED LENDING LEVELS, WILL CARRY THE OC OPERATIONS THROUGH AT LEAST THE NEXT 18 MONTHS. WE APPRECIATE THAT SITUATION FOR ADF IS SOMEWHAT TIGHTER. COMMITMENT AUTHORITY FOR SOFT FUNDS IS \$148 MILLION, BUT ADDITION \$20-40 MILLION MIGHT BE AVAILABLE IF DEOBLIGATIONS BECOME POSSIBLE IN INDOCHINA, AND U.S. THIRD \$50 MILLION CONTRIBUTION, PENDING BEFORE

CONGRESS, MAY ALSO BE AVAILABLE TO COVER ADF NEEDS. EVEN IF SPECIAL FUNDS LENDING OUTSIDE INDOCHINA REACHES A PLANNED \$210 MILLION THIS YEAR UP FROM \$147 MILLION IN 1974, AVAILABLE FUNDS WOULD MEET ADF LENDING REQUIREMENTS THROUGH MID-1976. LESS SHARP INCREASE ON NEW ADB COMMITMENTS WOULD EXTEND FUNDS AT LEAST INTO FALL OF 1976. THE TREASURY HAS UNDERTAKEN CONSULTATION WITH CONGRESS ON ISSUE OF U.S PARTICIPATION IN A MULTI-YEAR REPLENISHMENT. THAT WE HAVE NOT YET MADE MORE PROGRESS IS PARTLY DUE TO GENERAL PROBLEMS OF COAXING CONGRESS TO A MORE FORTHCOMING ATTITUDE TO CONTRIBUTIONS TO IFIS. OUR PRESENT THINKING IS THAT WE WOULD ANNOUNCE AT AUGUST MEETING U.S. WILLINGNESS TO PARTICIPATE IN MULTI-YEAR

REPLENISHMENT BUT NOT A FIGURE. SOME HERE BELIEVE THAT DURING FALL NEGOTIATIONS WE WOULD WANT TO PACKAGE REPLENISHMENT OF ORDINARY CAPITAL WITH SOFT FUND REPLENISHMENT, PERHAPS ENCOURAGING OTHERS TO PROVIDE SOME INTERIM SOFT FUND CONTRIBUTIONS. WE WILL KEEP UNDER CONTINUAL REVIEW TIMING OF CONSULTATIONS WITH CONGRESS WHICH WOULD RESULT IN MANDATE TO DEAL WITH SPECIFIC AMOUNTS OF U.S. CONTRIBUTION.

7. IN CONVERSATIONS WITH HOST GOVERNMENT OFFICIALS POSTS SHOULD STRESS STRONG U.S. CONTINUING SUPPORT FOR ADB. EMPHASIZE THAT IN FY-75 FOR FIRST TIME IN SEVERAL YEARS U.S. MADE ALL PLANNED CONTRIBUTIONS TO BOTH ORDINARY CAPITAL AND SPECIAL FUNDS AND THAT IN DECEMBER  
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1974 CONGRESS FINALLY APPROVED AUTHORIZATION OF ORDINARY CAPITAL WHICH HAD BEEN PENDING FOR MORE THAN TWO YEARS. AS APPROPRIATE YOU MAY MENTION THAT ADB ORDINARY CAPITAL FUNDS ARE NOT NOW SHORT AND THAT ADB SOFT FUNDS ARE USED OUTSIDE INDOCHINA PRIMARILY FOR COUNTRIES WHERE IDA LENDING ON SIMILAR TERMS BEING SHARPLY INCREASED AS RESULT FOURTH IDA REPLENISHMENT AND INDONESIA IDA GRADUATION. YOU MAY ALSO ASSURE HOST GOVERNMENTS THAT WE ARE MAKING EVERY EFFORT TO OBTAIN FY-76 APPROPRIATIONS FOR BOTH ADB ORDINARY CAPITAL AND SPECIAL FUNDS. KISSINGER

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